

\$640,000, it can collect during this next biennium through increased efficiency and better compliance with respect to income and sales tax collections an additional \$7 million. I think he has assumed a terrific responsibility to collect the amount he thinks can be obtained, but I am willing to help assume this responsibility if you agree to make the necessary supplemental appropriations of \$640,000 for the Revenue Department and I would recommend you do so. All of this means that we can make a further net reduction in our needs of \$6,360,000, giving us a final figure in new taxes needed of approximately \$19½ to \$20 million:

This figure of estimated needs has not taken account of the \$1,115,000 reduction made by the Appropriations Committee in the recommended budget. I believe that it is not wise at this time to count in this reduction since it appears quite possible that additional miscellaneous appropriations if approved by you could absorb this cut before you adjourn. I am indeed pleased to be able to tell you that because of improved economic conditions and our determination to reduce expenses and work for better tax collections, our original estimated need of \$52 million and the revised estimated need of \$37 million will now be only \$19½ to \$20 million of new taxes. This means a reduction of about \$32 million made up roughly as follows:

Improved Economic conditions causing increase	
in estimates	\$22,000,000
Savings by Administration	4,000,000
Greater effectiveness in collections of	
income and sales taxes	6,000,000
TOTAL	\$32,000,000

I would like to emphasize that revenue estimates, which are dependent on many, many factors, may and probably will vary during any two-year period, since no one can predict with absolute accuracy the exact trend of our economy. As I have said, calculations which, because of completely unforeseeable factors, vary as little as one per cent, may result in a difference of several million dollars. If we were to make new estimates every month for the next two years, we might get varying figures — some would be up and some would be down. However, we cannot budget for a two-year period and wait from month to month indefinitely for the most current estimate. At some state in this process, as you all well know, we must reach a final figure and on the basis of that figure, adopt our budget. These figures that I give to you today are final and should serve as a basis for decisive action. The present income tax collections, which were delayed this year for an additional thirty days, constitute the last factor with which we must deal and it is imperative that we provide for \$19½ to \$20 million in new taxes for the biennium.

The problem of changes in expected revenue is not a new one. Much wider differences in income and much greater shifts in the state's economy have occurred during the last 10-15 years. But, this is the first time the problem has had so much emphasis and attention. Within the hour our Revenue Commissioner has advised me that only once during the past six years has the Department been requested to make a revision in the revenue estimates. This occurred in March of the 1953 Legislature. Upon the direct